What small business owners should review for liability coverage

Choosing the right protection for a small business can feel like a lot of paperwork. But skipping a thorough review of your policies can leave gaps that cost you later. A methodical check of your coverage helps you see where you are exposed and where you might be paying for something you do not need. Below is a practical list of points to go through when you look at your current insurance or shop for a new policy.

Check what your general liability policy actually covers

General liability is the most common starting point for small businesses. It typically covers bodily injury, property damage, and personal injury claims like libel or slander. But the limits and exclusions vary by carrier. Look at the policy language for common exclusions such as pollution, professional services, or damage to property in your care. If your business handles client property on site, you may need additional coverage for that exposure. Also check whether the policy covers legal defense costs inside the limit or outside it. A policy that includes defense costs in the limit can leave you with less money to pay a settlement.



Confirm that your business liability coverage matches your operations

A standard general liability form assumes certain types of risk. If you run a consulting firm, your main exposure might be giving advice that leads to a client's financial loss. That kind of claim often falls under professional liability, not general liability. A contractor who works on other people's property needs coverage for completed operations, which protects against claims that arise after the work is finished. Read the definitions section of your policy to see which activities are listed. If your business has changed what it does since you bought the policy, you may have a gap. Reviewing your business liability coverage against your actual daily work is one of the most important steps you can take. It helps you spot mismatches before a claim happens.

Look at the exclusions for commercial property and business interruption

If you own or lease a physical space, commercial property insurance covers the building and its contents. But many policies exclude certain perils such as flood, earthquake, or mold. If your area is prone to flooding, you may need a separate policy through the National Flood

Insurance Program or a private carrier. Business interruption coverage, sometimes called business income coverage, replaces lost revenue if a covered event forces you to close temporarily. Check the waiting period and the length of coverage. Some policies have a 72-hour waiting period before they start paying, and they may limit coverage to 12 months. Make sure that aligns with how long it would realistically take you to reopen after a fire or storm.



Review professional liability and errors and omissions coverage

If your business provides advice, designs, or professional services, professional liability insurance (also called errors and omissions or E&O) is worth a close look. General liability policies typically exclude claims arising from professional services. A single mistake in a

report or a missed deadline can lead to a lawsuit that your general policy will not touch. Professional liability policies are written on a claims-made basis, meaning they only cover claims reported during the policy period. If you switch carriers, you may need tail coverage to protect against claims that surface after the policy ends. Ask your agent about the retroactive date and how prior acts are handled.

Examine coverage for commercial vehicles and employee use

If you or your employees drive for business errands, deliveries, or client visits, a personal auto policy may not cover an accident that happens while on the job. Commercial auto insurance covers vehicles owned by the business, but it can also extend to hired or non-owned autos. Hired auto coverage applies when you rent a car for business use. Non-owned auto coverage applies when employees use their own cars for company business. Check the limits and whether the policy includes coverage for physical damage to rented vehicles. If you have employees who drive frequently, consider a higher liability limit to protect the business's assets.

Check how payroll and business assets affect your premiums

Workers' compensation premiums are often based on your payroll and the classification codes for each employee. If you misclassify employees or fail to report payroll accurately, you could face an audit at the end of the policy term with a surprise premium bill. Keep records of gross wages, overtime, and any bonuses. Also review the asset schedule on your commercial property policy. If you have bought new equipment, computers, or inventory, make sure the values are updated. Underinsuring your assets can trigger a coinsurance penalty, which reduces your payout on a claim. A simple annual update of your asset list can prevent that.

Understand the difference between occurrence and claims-made forms

Most general liability policies are written on an occurrence form, which covers claims arising from incidents that happen during the policy period, even if the claim is filed years later. Professional liability policies are usually written on a claims-made form, which only covers claims reported while the policy is active. If you switch from a claims-made policy to a different carrier, you may lose coverage for claims that arise from work done during the old policy period but are reported after the switch. That is where tail coverage or an extended reporting period endorsement comes in. Ask your agent what options are available and how much they cost. **Business liability coverage** on a claims-made form requires careful tracking of policy dates and retroactive dates to maintain continuous protection.



Look at policy limits and aggregate limits

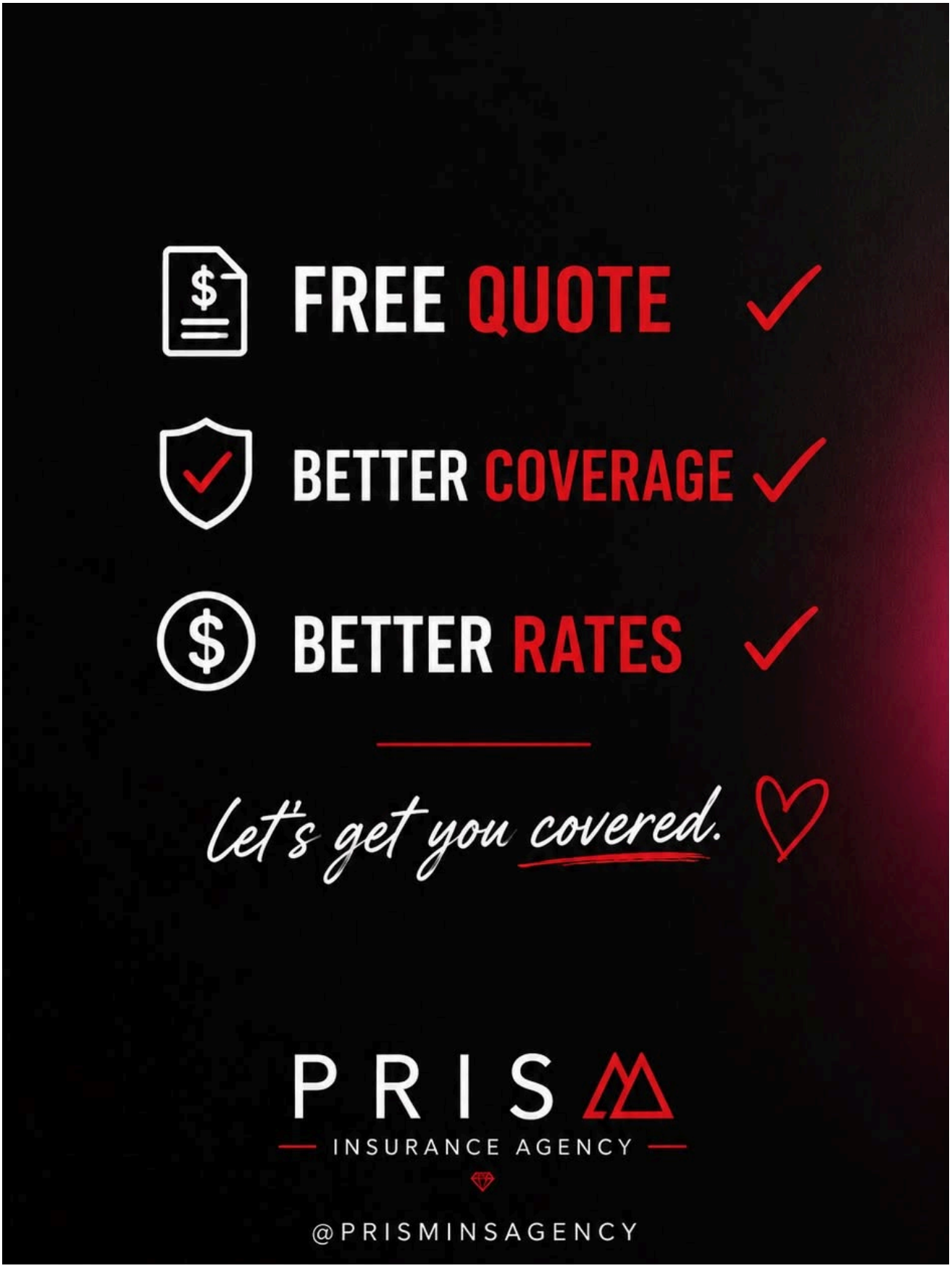
Every liability policy has a per-occurrence limit and an aggregate limit for the policy period. The per-occurrence limit is the most the policy will pay for a single claim. The aggregate limit is the total it will pay for all claims during the year. If your business faces multiple claims in one year, the aggregate limit can be exhausted quickly. Some policies have a separate aggregate for products and completed operations. Check whether your limits are adequate given your revenue, the number of clients, and the nature of your work. A business that serves hundreds of customers a year may need higher limits than one that works with a handful of clients.

Review additional insured and waiver of subrogation requirements

Many contracts require you to name the other party as an additional insured on your general liability policy. This extends your coverage to them for claims arising from your work. A waiver of subrogation prevents your insurer from suing the other party to recover money paid on a claim. If you sign a contract without adding the other party as an additional insured, you may be in breach of the contract. Check with your agent to see if your policy automatically includes additional insured coverage or if it requires a specific endorsement. Also verify that the waiver of subrogation applies to the policy form you have.

Keep an eye on policy renewals and changes

Insurance policies change from year to year. Carriers may modify coverage forms, add exclusions, or adjust limits. Do not assume that a renewal policy is identical to the one you bought last year. Read the renewal documents, especially the declarations page and any endorsements. If your business has grown or added new services, those changes should be reflected in your policy. A quick annual conversation with your agent can catch issues before they become problems. That conversation is also a good time to ask about bundling policies or adjusting deductibles to better fit your budget.



Going through this list does not take long, but it can save you from a coverage gap that puts your business at risk. Insurance is not a set-it-and-forget-it purchase. As your business evolves,

your protection should evolve with it. Making a habit of reviewing your policies once a year keeps you in control and helps you sleep better at night.